

Thursday, July 17, 2025

6:00 PM

McFarland Municipal Center
5915 Milwaukee St, McFarland
Community Room

AGENDA

The public may attend in-person or remotely through the Zoom webinar or telephone options listed below. *Please Note: Virtual attendance is offered as a convenience, but technical difficulties beyond the Village's control may prevent or limit its availability at any meeting. The public is encouraged to attend the meeting in person to assure full access to the proceedings.*

PLEASE CLICK THE LINK BELOW TO JOIN THE ZOOM WEBINAR:

<https://us02web.zoom.us/j/84236376559>

Or by Telephone: +1 (312) 626-6799

Webinar ID: 842 3637 6559

Press *9 to raise/lower hand. Press *6 to mute/unmute.

1. CALL TO ORDER, ROLL CALL.
2. PUBLIC APPEARANCES.
 - a. This is an opportunity for members of the public to address the Finance Committee for items that are not on the agenda. Please remember this is a hybrid meeting conducted in person and through the Zoom online meeting platform. Meeting attendees wishing to address the Committee about items not on the agenda may do so at this time. Zoom attendees should type their name and address in the Question and Answer feature within the Zoom online meeting platform at this time. Members of the public who are present in person and wish to address the Committee should fill out a public comment form and turn into the meeting chairperson. When you are called upon to speak, state your name, address, and provide your comments to the Committee for their consideration. Please adhere to the 3-minute time limit. Additionally, you may send your public comments to finance@mcfarland.wi.us to be included as part of the meeting.

Members of the public may also speak during their selected agenda item as they designate on the public comment form or in the Question and Answer feature on Zoom.
3. APPROVAL OF MINUTES.
 - a. Motion to approve the minutes of the June 24, 2025 meeting.
4. BUSINESS.
 - a. Discussion and action to make a recommendation to the Village Board regarding updates to Chapter 2 (Budget Development Policy) of the Fiscal Policy Manual.
 - b. Discussion regarding updates to Chapter 3 (Debt Management Policy) of the Fiscal Policy Manual.
5. SCHEDULE NEXT MEETING DATE.
 - a. Thursday, August 21, 2025 at 6:00 pm.
6. ADJOURNMENT.

Any person who has a qualifying disability as defined by the Americans with Disabilities Act that requires the meeting or materials at the meeting to be in an accessible location or format should contact the McFarland Municipal Center at (608)838-3153, 5915 Milwaukee Street, McFarland, Wisconsin, or village.clerk@mcfarland.wi.us by 2:00 p.m. at least 5 business days prior to the meeting so that any necessary arrangements can be made to accommodate each request. If the meeting or request is less than 5 business days from the meeting, requests for accommodations may still be made and reasonable efforts will be made to accommodate each request.

VILLAGE OF MCFARLAND
Finance Committee Minutes
Tuesday, June 24, 2025 - 4:00 PM

1. CALL TO ORDER, ROLL CALL.

Village Trustee Luke Fessler called the Finance Committee meeting to order at 4:00 pm in the Community Room of the McFarland Municipal Center.

Members present: Luke Fessler, Stephanie Brassington, Kathy Annen

Members not present: N/A

Staff Present: Village Administrator Matt Schuenke, Finance Manager/Treasurer Lisa Skar

2. PUBLIC APPEARANCES.

- a. *This is an opportunity for members of the public to address the Finance Committee for items that are not on the agenda. Please remember this is a hybrid meeting conducted in person and through the Zoom online meeting platform. Meeting attendees wishing to address the Committee about items not on the agenda may do so at this time. Zoom attendees should type their name and address in the Question and Answer feature within the Zoom online meeting platform at this time. Members of the public who are present in person and wish to address the Committee should fill out a public comment form and turn into the meeting chairperson. When you are called upon to speak, state your name, address, and provide your comments to the Committee for their consideration. Please adhere to the 3-minute time limit. Additionally, you may send your public comments to finance@mcfarland.wi.us to be included as part of the meeting.*

Members of the public may also speak during their selected agenda item as they designate on the public comment form or in the Question and Answer feature on Zoom.

None.

3. APPROVAL OF MINUTES.

- a. *Motion to approve the minutes of the 5/15/25 Finance Committee meeting.*

Motion by Village Trustee Luke Fessler, second by Village Trustee Kathy Annen, to approve the minutes of the May 15, 2025 Finance Committee meeting. Motion carries 3 - 0 - 0 by acclamation.

- b. *Motion to approve the minutes of the 5/20/25 Finance Committee meeting.*

Motion by Village Trustee Luke Fessler, second by Village Trustee Kathy Annen, to

approve the minutes of the May 20, 2025 Finance Committee meeting. Motion carries 3 - 0 - 0 by acclamation.

4. BUSINESS.

a. Discussion regarding proposed new quarterly financial summary reports.

Village Administrator Matt Schuenke and Finance Manager/Treasurer Lisa Skar presented and discussed the proposed new quarterly financial reports. The Finance Committee discussed and shared feedback for future reports.

b. Discussion regarding the creation of an ordinance requiring a referendum vote of the electors before certain public construction projects can be commenced.

Village Administrator Matt Schuenke reviewed the prior debt ordinances and historical debt utilization as discussed previously at the February 20, 2025 and March 20, 2025 Finance Committee meetings. This will be discussed again at a future meeting.

c. Discussion regarding updates to Chapter 3 (Debt Management Policy) of the Fiscal Policy Manual.

d. Discussion regarding updates to Chapter 2 (Budget Development Policy) of the Fiscal Policy Manual.

Village Administrator Matt Schuenke reviewed updates to the Budget Development Policy.

5. SCHEDULE NEXT MEETING DATE.

a. Thursday, July 17, 2025 at 7:00 pm.

6. ADJOURNMENT.

Motion by Village Trustee Luke Fessler, second by Village Trustee Stephanie Brassington, to adjourn at 5:18 p.m.

Pursuant to law, written notice of this meeting was given to the public and posted on the public bulletin board in accordance with Open Meetings Law.

Respectfully submitted,
Lisa Skar
Finance Manager/Treasurer


VILLAGE OF
McFarland
SUMMARY SHEET

MEETING DATE: Thursday, July 17, 2025

SECTION: Business

DEPARTMENT: Administration

CONTACT: Cassandra Suettinger, Deputy Administrator/Clerk, Lisa Skar,
Finance Manager/Treasurer, Matt Schuenke, Village Administrator

AGENDA ITEM: Discussion and action to make a recommendation to the Village Board regarding updates to Chapter 2 (Budget Development Policy) of the Fiscal Policy Manual.

PREVIOUS ACTION:

The Finance Committee reviewed this item at its meeting on February 20, 2025.

The Finance Committee reviewed this item at its meeting on March 20, 2025.

The Finance Committee reviewed this item at its meeting on May 15 and 20, 2025.

The Finance Committee reviewed this item at its meeting on June 24, 2025.

ISSUE SUMMARY:

Included within the packet is the updated version to Chapter 2 for the Budget Development Policy following our last review in June. The updates are provided in track changes with additional comments in the margins based on the talking points from the last meeting. This now includes language to address Budget Overages and is a complete draft to consider as a recommendation to the Village Board.

FINANCIAL/BUDGET IMPACT:

None

VILLAGE PLAN REFERENCE:

None

ORDINANCE REFERENCE:

None

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:

Recommended action:

Motion, second to recommend approval to the Village Board regarding updates to Chapter 2 (Budget Development Policy) of the Fiscal Policy Manual.

ATTACHMENTS:



1. Chapter 2 - Budget Development Policy 07092025

CHAPTER 2 Budget Development Policy

SECTION 2.01 Policy Purpose

- (a) The process for the publication and legislative consideration of the annual budget for the Village is stated in Wis. Stats. § 62.12 (Finance)¹ and § 65.90 (Municipal Budgets)² and Chapter 23, Article II, Division 2 of the McFarland Code of Ordinances³. Those legislative guidelines provide the overall framework and minimum legal requirements for the Village budget process. This policy outlines the process to be followed by Village Staff and the Village Board in developing and presenting the annual operating and capital budgets for all Village operations, including utilities, for review and adoption.

SECTION 2.02 Policy Objectives

- (a) Develop a structurally balanced budget in which operating expenditures do not exceed operating revenues within the need for reserves to offset recurring expenses.
- (b) Align with goals from the Strategic Implementation Plan to ensure financial resources are made available for delivery of Village services.
- (c) Utilize qualitative data based on experience, trends, and other sources to align with appropriate levels of funding.
- (d) Create opportunities for public engagement to promote effective communication in simple plain language formats.
- (e) Align the Annual Budget with the Distinguished Budget Award subject to approval through the Government Finance Officers Association (GFOA) to promote transparency, accountability, and effective communication to the Community.

¹ <https://docs.legis.wisconsin.gov/statutes/statutes/62/i/12>

² <https://docs.legis.wisconsin.gov/statutes/statutes/65/90>

³ https://mcfarland.municipalcodeonline.com/book?type=ordinances#name=DIVISION_23-II-2_VILLAGE_BUDGET

SECTION 2.03 Basis of Budgeting.

(a) The Village adopts annual budgets for the general, special revenue, debt service, capital project, internal service, and fiduciary funds that are prepared on the modified accrual basis of accounting. The enterprise funds budgets are prepared on the accrual basis of accounting. Please note the following definitions⁴:

(1) **Modified Accrual Basis of Accounting.** Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

(2) **Accrual Basis of Accounting.** Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

(b) The types of funds the Village utilizes include but are not limited to⁵:

(1) **General Fund (100).** The general fund is used to account for all financial resources except those to be accounted for in another fund. The general fund is usually the largest and most important fund and most of the municipality's programs are financed wholly or partially through it. The general fund balance must be segregated to show the portions reserved for specific purposes, designated for continuing appropriations and undesignated. The following funds are established for Village purposes:

(i) 100 General Fund

⁴ Basis of accounting definitions provided by Baker Tilly through the Village of McFarland Financial Statements and Supplementary Information.

⁵ Fund definitions provided by Wisconsin Department of Revenue, *Uniform Chart of Accounts for Wisconsin Municipalities*.

(2) **Special Revenue Fund (200).** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes or activities, other than revenue sources that are restricted for the acquisition and/or construction of fixed (capital) assets. The use of these funds will vary from municipality to municipality depending upon local ordinances and the source of revenues and purpose of expenditures. The following funds are established for Village purposes:

(i) 205 Library Fund

(ii) 210 Youth Center Fund

(iii) 215 Affordable Housing Fund

(3) **Debt Service Fund (300).** Debt service funds are to be maintained to account for all resources which are being accumulated to retire a municipality's general long-term debt. Section 67.11 of the Wisconsin Statutes requires the establishment and maintenance of a debt service fund when a municipality issues general municipal obligations. The following funds are established for Village purposes:

(i) 300 Debt Service Fund

(ii) 305 Tax Increment District #3 Fund

(iii) 310 Tax Increment District #4 Fund

(iv) 315 Tax Increment District #5 Fund

(v) 320 Tax Increment District #6 Fund

(4) **Capital Projects Fund (400).** Resources externally restricted for the purchase or construction of major capital facilities, which are not financed by proprietary funds should be accounted for in capital projects funds. Capital projects funds are to be established when projects are financed wholly or in part with borrowed money, intergovernmental revenues, private donations or when they are legally mandated. Separate capital projects funds are necessary to demonstrate that debt proceeds are spent only for the purposes and in the amounts authorized. The following funds are established for Village purposes:

(i) 400 Capital Projects Fund

(ii) 405 Parks Fund

(5) **Enterprise Funds (600).** Enterprise funds are used to account for a government's activities and organizations which are similar to private business enterprises - where the governing body has decided that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. Enterprise funds may also be used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following funds are established for Village purposes:

(i) 600 Utilities Fund (Sewer and Water)

(ii) 605 Stormwater Utility Fund

(iii) 610 Solid Waste Fund

(6) **Internal Service Funds (700).** Internal service funds are established to account for services performed by a department or agency of a municipality for other departments or agencies of the municipality or for departments or agencies of other governments. Charges to the user departments or governments are based on the cost of the services provided. Internal service funds are frequently used for central garages and motor pools, data processing, central duplicating or print shops, central purchasing, and stores departments. The following funds are established for Village purposes:

(i) 700 Retiree Fund

(7) **Fiduciary Funds (800).** Also referred to as Trust and Agency Funds. Trust funds include expendable trust funds, nonexpendable trust funds and pension trust funds. Expendable trust funds are used to account for gifts and endowments whose principal and income may be expended for the purposes specified by the donor. Nonexpendable trust funds are used to account for gift and endowments which were provided with the stipulation that the principal be preserved intact and income thereon may be expended for the purposes specified by the donor. Each trust fund is classified for accounting measurement purposes as either a governmental fund or a proprietary fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature and agency fund assets always equal agency fund liabilities. Agency funds have no fund equity or revenues and expenditures. Agency funds are used to account for property taxes and other receipts billed and collected for individuals or other units of government. The following funds are established for Village purposes:

(i) 800 Canine Fund

- (c) The Village's chart of accounts establishes all Village funds will be used to construct the budget to ensure consistency with its annual financial statements.
- (d) The adopted budget indicates the amount that can be expended by each fund based on detailed budget estimates for individual expenditure accounts.
- (e) All budget amounts lapse into their respective fund balance at the end of the year to the extent they have not been expended. Unexpended funds approved in one year have to be budgeted again in the next year if they are their-intended to carry forward.
- (f) The adopted budget format will follow the established guidelines for the Distinguished Budget Award program through GFOA.

SECTION 2.04 Annual Budget.

(a) General Procedures.

- (1) The annual Village budget developed for consideration by the Village Board will include all Village funds and will include both the operating budget for the ensuing fiscal year and a capital budget based upon a separate five-year capital improvement plan.
- (2) The Administrator is responsible for coordination and initial review of departmental budget submissions. As necessary, meetings will be held with departments to review their budget requests prior to finalizing the budget. Unresolved variances between the Department and Administrator budget submissions may be addressed by the Village Board at the time of review.
- (3) Village Board review and deliberation on the budget and municipal services will generally be done in consultation with department heads, as determined appropriate by the Board. Final budget adoption shall be considered by the Village Board via ordinance upon conclusion of the review process.
- (4) The operating budgets will serve as the annual financial plans for the Village and as the policy documents for implementing Board goals and objectives. The Annual Budget will provide staff the resources necessary to accomplish service levels determined by the Village Board. The Village's annual budget document will be drafted by department, with a logical breakdown of programs and line-item detail in accordance with the chart of accounts.
- (5) Enterprise funds (e.g., the Utility Fund and Stormwater Utility) shall be supported by their own rates and specified revenue sources unless otherwise authorized by the Village Board. Enterprise fund operating surpluses will not be used to subsidize other Village funds.

- (6) Enterprise funds and special revenue funds will pay their proportionate share of allocated expenses provided by General Fund departments.

(b) **Development.**

- (1) Before commencement of the annual budget process, the Village Board and the Administrator will develop recommended budget parameters and set the budget development calendar as needed.
- (2) Certain budget elements that are common across departments will be calculated and/or monitored by the Administrator or designee on a centralized basis to ensure comparability and budgetary control. These areas include:
 - (i) Wages and Benefits.
 - (ii) Insurance Premiums.
 - (iii) Fuel, utility, and other fixed costs.
- (3) The Village Board exercises legal budgetary control at the fund level; however, reports are provided at functional and departmental levels as defined in the budget transmittal. Budget implementation rests primarily with Village departments, with general oversight by the Village Board and management by the Village Treasurer⁶.
- (4) **Budget Format.** Please note the following guidelines for building the budget document:
 - (i) Title Sheet.
 - (ii) Budget Transmittal Memorandum.
 - (iii) Ordinance following Adoption.
 - (iv) Public Hearing Notice following Publication.
 - (v) Strategic Implementation Plan following Acceptance.
 - (vi) Budget Review Schedule.

⁶ https://mcfarland.municipalcodeonline.com/book?type=ordinances#name=2-516_Village_Treasurer_And_Deputy_Treasurer

- (vii) Budget Fund Summaries.
 - (viii) Taxation Estimate with all Taxing Jurisdictions.
 - (ix) Historical Budget Comparison Data.
 - (x) Revenues and Expense Details for all Funds.
 - (xi) Additional detail required by GFOA to qualify for a Distinguished Budget Award.
 - (xii) All other relevant information as determined by the Village Board.
- (5) **Revenues.** The Village needs to maintain a diversified and stable revenue base to shelter it from unanticipated fluctuations and to minimize reliance on the property tax. Similar sources and uses of revenues should be matched to the extent possible to ensure adequate and equitable funding for various Village services and programs over the long term.
- (i) At least each budget cycle, existing and new revenue sources will be examined using an analytical process to objectively estimate appropriate levels of funding. Each Department will be responsible for the inclusion of revenues within their budget proposals subject to review by the Administrator. Department revenue will be deducted from the amount of allocated revenue needed to support their services, helping to lower dependence on property taxes where applicable.
 - (ii) The Village will establish all user charges and fees at a level related to the actual cost of providing the service to ensure full cost recovery where applicable. Each year the Village will evaluate and may recalculate the cost of services supported by user fees to identify the impacts of inflation and other cost increases.
 - (iii) Legally restricted revenues will be avoided when they adversely affect the short or long-term financial health of the Village. One-time revenues will be used for capital improvements or as legally restricted to a specific purpose. In addition, enterprise funds will generate revenue sufficient to support the full direct and indirect costs of these funds.
 - (iv) At least each budget cycle, intergovernmental revenues will be reviewed to determine their stability and to minimize the impact of any adverse changes. Intergovernmental revenues shall be used as legally prescribed or otherwise set forth by policy.

- (v) Revenues shall be budgeted to meet the Village's debt service obligations before they are allotted for any other type of expenditure.
- (vi) Payments in lieu of taxes from municipal utilities will be budgeted and based on utility estimates typically determined by the Village Auditor.
- (vii) Proceeds from the sale of equipment or excess property will not be budgeted as operating revenue unless such amounts can be accurately projected. Any such proceeds received shall be recorded in the appropriate fund from which they were paid.
- (viii) **Grant Applications.** Grant applications \$5,000 or less shall be reviewed and approved by the Administrator. The Administrator will prepare an annual report for the Finance Committee and Village Board outlining any grants received within a fiscal year that were less than \$5,000. Grant applications in excess of \$5,000 shall be reviewed by the Administrator and approved by the Village Board prior to submittal. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the Village relating to the grant's purpose and to provide an overall budgetary review of grant proposals. Grants requiring Village Board approval may be reviewed by the related Committee as a recommendation to proceed with the application.

(c) **Timeline.**

- (1) **July – Parameters.** The formal budget process will generally begin in July of each year as the Village Board sets the parameters for its development, including the calendar. Additionally, the Village Board is presented with pertinent background information for the upcoming budget cycle. The Administrator will distribute budget worksheets to Departments to begin the development process once the parameters are set.
- (2) **August – Development.** Budget worksheets submitted to Departments will include data for the prior year actual, current year budget, and current year to date as of the end of June. Detailed wage and benefit calculations will be submitted to Departments with allocations distributed within the worksheets. Department heads are then responsible for completing budget requests in accordance with the parameters provided by the Administrator and Village Board. Budget worksheets are generally returned to the Administrator near the end of August to build the budget transmittal for the Village Board to review.

- (3) **September – Transmittal.** The proposed budget including all funds and required documentation will be transmitted to the Village Board at its second regular meeting in September. The Administrator will provide an initial overview of the proposed fiscal impact of what is included to begin the review process.
- (4) **October – Review, Public Hearing, and Changes.**
 - (i) **Review.** The Village Board will schedule meetings for review of the budget transmittal generally in October in accordance with the schedule it sets as part of the parameters. Each fund will be reviewed as part of the process to be presented by Departments where applicable.
 - (ii) **Public Hearing.** The public hearing for the budget will be held at the second meeting in October. All meetings are open to the public to provide comment on the proposed budget. Members of the public are encouraged to comment at the public hearing on the proposed budgets and their impact on municipal services.
 - (iii) **Changes.** The process for Village Board members to submit changes to the proposed budget will be set with the parameters. Each board member desiring to make a change to the budget will do so through a form detailing their request and other relevant background information. Each request will be discussed and acted on by the full Village Board prior to adoption. Those line items not requested for changes will be considered acceptable as proposed.
- (5) **November – Adoption.** The Village Board will adopt the proposed budget for the coming year at its second regular meeting of the month in November. The adoption will be conducted by ordinance, summarizing the fiscal impact of each fund while also noting the tax levy to be adopted. An estimate of the Village impact on the tax levy will be provided at this time and also for all taxing jurisdictions, if available.
- (d) **Engagement.** Access to the budget and the process to develop it will be shared through the following ways:
 - (1) A physical copy will be available to the public for review at the McFarland Municipal Center and E.D. Locke Public Library. This will include the draft budget transmittal from Staff and then the final budget as adopted by the Village Board.

- (2) An electronic copy of both the draft budget transmittal and final adopted budget will be included on the Village website for public viewing.
- (3) The proposed budget will include a summary that is meant to provide, in plain language, the impact of the budget within the Community. The emphasis for the document will be towards residents to help them understand generally where money comes from within the funds and how it is used. Communication will show any use of fund balance, its intended purpose, and demonstrate how the budget is balanced.
- (4) A public hearing notice will be issued in accordance with State Statutes approximately near the end of September or beginning of October. This notice will be published in the local newspaper and also advertised to the public to encourage their participation throughout the process.
- (5) A summary letter will be included with the tax bills to provide general information on the budget that was adopted. This can be developed as a standalone document or in concert with the budget summary mentioned in sub (3).
- (6) All Village mediums can be considered for distribution of information on the budget and its process to encourage understanding and participation.

(e) **Monitoring.**

- (1) The Administration Department shall distribute financial reports to the Village Board, Finance Committee, and Department Heads on a monthly basis.
- (2) The Administrator, and/or designee, shall provide a quarterly overview of budget progression to the Finance Committee to help monitor performance.
- (3) **Budget Overages.** Department Heads are responsible for maintaining their actual expenditures at or below the approved budget amount per line item they are responsible for. The Finance Manager/Treasurer shall monitor budget performance based on this policy and inquire with Department Heads regarding overages and report findings to the Administrator where applicable. The Administrator based on the findings will make a recommendation to the Finance Committee regarding the feasibility for an Amendment based on the nature of the overage.

- (4) **Amendments.** Either the Village Board or Administrator may propose a budget amendment due to changing circumstances unforeseen at the time of its development. In accordance with State Statute 65.90(5)(ar), an amendment to the budget must be approved by two-thirds vote of the Village Board. Additionally, a notice of the changes will be made on the Village's website within 15 days of action taken by the Village Board. Budget changes are subject to approval by the Village Board via resolution on a case by case basis upon recommendation from the Administrator.

SECTION 2.05 Capital Improvement Plan.

(a) General Procedures.

- (1) The Village will develop a five-year Capital Improvement Plan (CIP) to support the inclusion of capital projects within the Annual Budget. Capital expenditures to be included in the CIP shall include those items needed to support new or existing public infrastructure, vehicles, equipment, design/planning services, or other amenities within the Community. The five-year capital improvement plan will be updated annually and subject to final acceptance by the Village Board.
- (2) The most current year for the accepted capital improvement plan will be included within the Annual Budget for consideration of approval at the same time as all other funds.
- (3) The development of the CIP will include vehicle and equipment replacement needs in association with Vehicle Replacement Policy Chapter 12. Ongoing maintenance of existing vehicles and equipment will remain an operating expense. Sinking funds will be established, when feasible, to fund future vehicle and equipment replacements.
- (4) The Administrator will include in the CIP a projection of changes in the property tax levy necessary to pay for the proposed debt service in future years. Such projection will be used to develop guidelines for the level of borrowing to be used in supporting the proposed Capital Projects Fund within the Annual Budget. The projection will be based on a combination of factors including, but not limited to, expected growth in tax base, inflation rates, or similar factors.
- (5) Utility projects not funded via special assessments, grants, or similar funding sources other than utility rates will be analyzed for future rate impacts as needed to ensure debt obligations are met. Utility projects will be coordinated with other capital projects where applicable to minimize costs and inconvenience to residents.

- (6) Development-related projects for which tax incremental financing might be considered will be considered outside of the borrowing projections noted above due to the dedicated revenue stream (tax increments or other sources) used to pay the debt. The exception to this will be for proposed public improvements funded through tax increment districts as coordinated with other funds.
- (7) Facility improvement projects to be included in the capital improvement budget should involve major renovations that change or make repairs to the floor plan, wall locations, modifications to the structure, or modifications to building mechanical systems. Items that do not meet these criteria can be included within the CIP but funded by other means as available.

(b) **Development.**

- (1) The Administrator shall be responsible for preparing the annual CIP with assistance from all Departments and various consultants as applicable. Each Department Head will draft and develop their proposed capital expenditures for inclusion within the CIP to support service delivery and general operations of the Department. The proposed draft of the CIP will be introduced to the Village Board for review as well as to the Committee of record for respective Departments for review and recommendation.
- (2) Capital expenditures shall include any amounts expended for public improvements, vehicles, equipment, design/planning services, or other public amenities where the expenditures useful life more than five years and/or which involve amounts more than \$5,000 per line item. Expenditures not meeting these criteria, or which have a useful life of less than the payback period of the funds to be borrowed, may be included in the CIP but funded in other means that do not include borrowing.
- (3) Each Department will identify the total estimated cost for the capital expenditures and the proposed fund source(s) to offset the cost. Grant or other intergovernmental funds may be utilized to offset capital expenditures and should be included within the CIP as applicable.
- (4) **Format.** Please note the following guidelines for building the CIP document:
 - (i) Cover Sheet.
 - (ii) Transmittal Memorandum.
 - (iii) Financial Analysis – 5 and 10 years.
 - (iv) Project Summary Narrative.
 - (v) 10-year Paving and Utility Plan.
 - (vi) 10-year Park System Improvement.
 - (vii) All other relevant information as determined by the Village Board.

(c) **Timeline.**

- (1) **May – Drafting.** The Administrator will work with the Village Board within its annual calendar to set the detailed schedule for the process. Additionally, instructions will be provided to Department Heads to begin the process to review the next five years proposed for the CIP to develop their recommendations. The Administrator will review these submissions with Department Heads in order to develop a draft that includes the financial analysis conducted by the Village’s Financial Advisor. Unresolved variances between the Department and Administrator capital submissions may be addressed by the Village Board at the time of review.
- (2) **June – Introduction.** The initial draft of the proposed CIP will be submitted to the Village Board and Committee’s of record to be introduced and begin their review. The initial fiscal impacts will be reviewed as well as major initiatives proposed by Departments. The CIP will also note alignment with the Village Strategic Implementation Plan where applicable.
- (3) **July – Review.** The Village Board and related Committees will continue their review of the proposed CIP further evaluating priorities against fiscal impacts. Additional details of major projects will be reviewed at this time as well as alternatives to adjust projects or move between years. At the conclusion of their review, the related Committees will make a recommendation to the Village Board regarding their review.
- (4) **August – Acceptance.** At the conclusion of its review and in receipt of applicable recommendations, the Village Board will consider acceptance of the CIP as presented following this work. The included financial analysis will be updated as needed along with any other supporting documentation that changes throughout the process. Once accepted, the most current year of the proposed CIP will be included and updated within the Annual Budget as the Capital Projects Fund. The Village Board will review this again as part of the budget process which concludes in November.

(d) **Engagement.**

- (1) A physical copy will be available to the public for review at the McFarland Municipal Center and E.D. Locke Public Library. This will include the draft submittal from Staff and then the final plan as accepted by the Village Board.
- (2) An electronic copy of both the draft submittal and final accepted plan will be included on the Village website for public viewing.

- (3) The proposed plan will include a summary that is meant to provide in plain language the impact of the CIP within the Community. The emphasis for the document will be towards residents to help them understand generally where capital projects are funded and how the document is used.
- (4) All Village mediums can be considered for distribution of information on the budget and its process to encourage understanding and participation.

(e) **Monitoring.**

- (1) Once the CIP is accepted, Staff will use the accepted CIP to build the draft budget for the subsequent year's Capital Projects Fund within the Annual Budget. Capital expenditures may not move forward until approved within the Annual Budget and/or as applicable in line with other Village financial ordinances and/or policies. Through review and adoption of the Annual Budget, the Village Board maintains discretion to add, modify, or delete inclusions within the Capital Projects Fund as proposed regardless of acceptance of the CIP.
- (2) Once the Annual Budget is approved, the included capital expenditures must be reviewed again against the borrowing needs for the year in association with the adopted budget and actual costs. Village Staff will work to review and reconcile proposed borrowing needs within the Capital Projects Fund as included within the Annual Budget transmittal. Through review and adoption of the annual borrowing process, the Village Board maintains discretion to modify or delete inclusions within the Capital Projects Fund associated with the borrowing regardless of their approval within the Annual Budget. The Village Board may include additions to the annual borrowing for capital expenditures in association with budget amendments in accordance with Section 2.04(e)(3) of this policy.

Adopted: August 27, 2012

Amended: XXXX XX, 2025


VILLAGE OF
McFarland
SUMMARY SHEET

MEETING DATE: Thursday, July 17, 2025

SECTION: Business

DEPARTMENT: Administration

CONTACT: Matt Schuenke, Village Administrator

AGENDA ITEM: Discussion regarding updates to Chapter 3 (Debt Management Policy) of the Fiscal Policy Manual.

PREVIOUS ACTION:

The Finance Committee reviewed this policy at its meeting on March 20, 2025.

The Finance Committee reviewed this policy at its meeting on June 24, 2025.

ISSUE SUMMARY:

Enclosed is Chapter 3 of our Financial Policy Manual that is our Debt Management Policy that we will begin to review further within the upcoming meeting. Section 3.02(b), under subsection (1) establishes the link to State Statutes where we are not able to borrow more than 5% of our equalized value. As of 2024, our equalized value was \$1,701,717,900 where 5% of that amount would equal \$85,085,895. This 5% threshold applies uniformly to all municipalities within the State.

Whether we choose to use \$1 of this 5% limit or all of it, that is where the discretion lies and each community naturally is different in their approach. Our approach to establishing standards for a debt limit is tied to our utilization ratio. Within this same policy section, the utilization ratio is defined where we “intend” not to exceed 3.33% of that 5% max which would create a limit to max debt utilization at 67%. The policy helps guide our targets within forecast projections which as of the last accepted CIP we are showing we’ll stay under that amount.

There are a few other subsections there too that could be considered or applied to a referendum requirement, but the debt utilization ratio is the main one related to this request.

FINANCIAL/BUDGET IMPACT:

None.

VILLAGE PLAN REFERENCE:

None.

ORDINANCE REFERENCE:

None.

BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:

Presented for discussion in relation to the referral noted in the previous item.



ATTACHMENTS:

1. Chapter 3 - Debt Management Policy 03232020

CHAPTER 3 Debt Management Policy

SECTION 3.01 Policy Purpose

- (a) The Village acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the Village. These types of costs include development, acquisition, and replacement of assets that will be used by the residents of the Village over a long period of time. Financing of these long-term assets is often appropriately accomplished through the issuance of long-term debt instruments, special assessments, or any other combination of these.

- (b) It is the responsibility of the Village Board and Village administrative staff to monitor the financial health of the Village. A significant portion of the Village's financial health is determined by its ability to manage its debt, so the role of debt in the Village's total financial strategy must be carefully defined in order to avoid using debt in a way that weakens other parts of its financial structure. It is the responsibility of the Village Administrator and Clerk/Treasurer to regularly monitor the Village's outstanding debt and to recommend issuance, replacement and retirement of outstanding debt to the Finance Committee and the Village Board.

SECTION 3.02 Policy Implementation Objectives

(a) Financing Considerations.

- (1) The Village will confine long-term borrowing to capital improvements, equipment, or other long-term projects which cannot and, appropriately should not, be financed from current annual operating revenues.

- (2) The Village will not use long-term debt to finance current operations, nor will long-term debt be used to finance the cost of short-lived (less than five years) depreciable assets (for example, vehicles).

- (3) In general, the final maturity of bonds and notes issued by the Village should not exceed the expected useful life of the underlying project for which it is being issued.

- (4) The Village will issue general obligation debt by borrowing from the State Trust Fund or through a competitive bidding process or negotiated sale, depending upon which approach is deemed most advantageous to the Village.

- (5) Periodic reviews of outstanding debt will be undertaken by the Village Administrator and Clerk/Treasurer at least every two years to determine refinancing opportunities. Refinancing will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding.

(b) Debt Limits and Structure.

- (1) Section 67.03 of Wisconsin Statutes and Article XI, §3(2) of the Wisconsin Constitution require that general obligation debt outstanding not exceed 5% of the equalized valuation of the taxable property within the Village. Revenue bonds and notes are not considered debt for purposes of determining compliance with constitutional debt limitations. The Village intends to keep total outstanding general obligations debt within 3.33% of the equalized valuation unless otherwise authorized by the Village Board. Debt levels should further be consistent with the Village's credit objectives and long-term financial plan.
- (2) The Village will keep the maturity of all outstanding general obligation bonds at or below 20 years unless otherwise allowed by Wisconsin State Statutes and authorized by the Village Board.
- (3) The total annual debt service expense for general obligation debt (exclusive of that funded by proprietary operations) should not exceed 25% of the Village's total operating expense less capital outlay, unless otherwise authorized by the Village Board. The Village will make every effort realistic and reasonable to maintain debt service expenditures at a proportionately even level for tax rate stabilization.

(c) Municipal Advisor.

- (1) The Village will utilize the services of a qualified Municipal Securities Rulemaking Board (MSRB) Registered Municipal Advisor ("Municipal Advisor") that meets all current certification requirements in the monitoring of its debt and debt service.
- (2) The Village should strive to maintain a long-term relationship with a Municipal Advisor to allow for continuity and consistency in services provided by the advisor. However, the arrangement between the Municipal Advisor and the Village should be examined every five (5) years or as deemed necessary by Village administrative staff and the Village Board.

- (3) All feasible alternatives (for example, State Trust Fund loans, Clean Water Fund loans, and private placements with local financial institutions) for borrowing funds should be considered by the Village and the Municipal Advisor depending on the uniqueness of the items or projects being financed by long-term debt.
- (4) All costs of issuing long-term debt, including fees for professional services, underwriting fees, and the interest costs over the term of the debt issue, must be considered and carefully evaluated for each borrowing.
- (5) The Village will work with the Municipal Advisor to ensure that long-term debt issues are structured to protect the interest of the Village for the present and in the future (for example, the inclusion of call provisions to protect the Village against future interest rate fluctuations or other circumstances).

(d) **Other Considerations.**

- (1) The maintenance of the best possible credit rating shall be a significant factor in all financial decisions.
- (2) The Village will maintain good communications with bond rating agencies regarding its financial condition.
- (3) The Village will follow a policy of full disclosure in all financial reporting including bond prospectuses and continuing disclosure agreements required under SEC Rule 15c2-12(b)(5).

Adopted: October 10, 2011

Amended: July 8, 2019
March 23, 2020